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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 004456

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SUBJECT: TAO HAILS ECONOMIC BENEFITS OF ARATS VISIT TO TAIWAN, CITES "PROGRESS" ON INTERNATIONAL SPACE

REF: A. BEIJING 4328
[1](#)B. BEIJING 4199
[1](#)C. BEIJING 4153
[1](#)D. BEIJING 4085
[1](#)E. BEIJING 4080

Classified By: Political Minister Counselor
Aubrey Carlson. Reasons 1.4 (b) and (d).

SUMMARY

[11.](#) (C) The four agreements signed during the early November visit to Taiwan by Association for Relations Across the Taiwan Strait (ARATS) President Chen Yunlin will significantly benefit Taiwan's economy, according to officials from the State Council Taiwan Affairs Office (TAO).

In the next round of cross-Strait talks scheduled for 2009, ten additional areas of economic cooperation, including Mainland investment in Taiwan, will be on the agenda. Improvements in cross-Strait relations allow the two sides to "look past" disputes over sovereignty and the personal security challenges faced during Chen Yunlin's visit. Progress has also been made on Taiwan's international space, TAO officials say, pointing to approval of Honorary KMT Chairman Lien Chan as Taiwan's envoy to APEC, "tacit acceptance" of Taiwan's request for a "diplomatic ceasefire" and forthcoming "new regulations" that will allow Taiwan to obtain information directly from the World Health Organization (WHO) Secretariat. End Summary.

ECONOMIC BENEFITS OF ARATS-SEF MEETING

[12.](#) (C) In recent meetings with PolOff, TAO officials have repeated the official PRC mantra that ARATS President Chen Yunlin's November 3-7 visit to Taiwan represented a "historic breakthrough," while stressing the direct benefits to Taiwan's economy of the agreements signed. TAO Overseas Affairs Office Director Li Li told PolOff November 21 that "finally" holding talks between the Mainland's ARATS and Taiwan's Straits Exchange Foundation (SEF) in Taiwan was a "major step" that put the talks on a more "equal footing." The four agreements signed, especially on direct shipping and a new direct air corridor, "achieved a breakthrough" and mean that the cross-Strait "three links" are "nearly realized," TAO Deputy Director Sun Yafu told a visiting U.S. scholar accompanied by PolOff on November 13. Trumpeting the economic benefits of the agreements signed during Chen Yunlin's visit, Sun Yafu said Taiwan "gained a lot" from this latest round of talks.

[13.](#) (C) Sun noted that there is still a "great deal of work to do," including establishing a mid-Strait air corridor and formally ending the state of hostility, in order to "fully normalize" links between the two sides. TAO's Li Li said

that ten areas of further cooperation were identified in the most recent talks as subjects for discussion in the next round in 2009, the most significant being Mainland investment in Taiwan. Although there is sensitivity in Taiwan over allowing Mainland investment in sectors such as manufacturing and high technology, there is potential for investment in the real estate and retailing sectors. Because of the financial crisis, Taiwan may become "more open" to Mainland investment, Li asserted.

"SETTING ASIDE DISPUTES"

¶4. (C) Improvements in cross-Strait relations allow the two sides to "look past" problems such as sovereignty disputes and the personal security challenges faced during Chen Yunlin's visit, TAO officials said. Sun Yafu noted that, both before and during Chen Yunlin's visit to Taiwan, there were lengthy discussions about how the meeting between Chen and Taiwan President Ma Ying-jeou should be conducted. Ma was under "intense pressure" and kept pushing recognition of his "mutual non-denial" concept. Both sides stuck to their positions in the lead-up to the meeting, and as a result, the encounter ended up being nothing more than a brief courtesy call in front of the cameras. Nevertheless, the two sides were ultimately able to "set aside disputes" and move on. Cross-Strait relations are "much more relaxed" under the KMT and Ma Ying-jeou because there is a desire to develop relations and keep disputes under control, Sun said. Although "dealing with political issues is still difficult," both sides are able to prevent disputes from escalating to the crisis point.

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¶5. (C) Similarly, Chen Yunlin was able to set aside his "personal concerns" about the "massive demonstrations" against his visit, Li Li said. It was "obvious" that Chen Yunlin was "unhappy" about being trapped in a hotel in Taipei for eight hours, but he was careful not to say anything, Li said. The Mainland is gaining a deeper understanding of Taiwan and its political culture, and Chinese leaders increasingly understand that demonstrations do not mean the host is being disrespectful and are learning not to "overreact" to such issues. Sun Yafu, who accompanied Chen, said that he did not feel personally threatened during the trip and commented that the Taiwan security forces were very "diligent" in their efforts.

HEDGING ON MUTUAL NON-DENIAL

¶6. (C) Addressing Ma Ying-jeou's "mutual non-denial" proposal (ref A), Li Li said that there is still "no public consensus" on this issue on the Mainland. The question of what Taiwan "is" touches on the "core issue" of the cross-Strait relationship. Li said that if "mutual non-denial" simply means that the PRC does not deny the fact of Taiwan's existence, then Beijing could accept that. The PRC, is not ready, however, to be explicit about what Taiwan is. China cannot accept that Taiwan is a country or that the Republic of China exists, Li asserted. Moreover, if China were to not deny the existence of the Republic of China, then it would be accepting the existence of two Chinas, which it cannot do. Other ideas about how to define Taiwan, such as a political entity or autonomous authority, have not gained acceptance in the PRC. Mutual non-denial also has different meanings in Taiwan, Li noted, commenting that the concept was introduced in 1991 as part of the National Unification Guidelines. If Beijing were to accept the concept, it could be interpreted differently by various factions in Taiwan, Li warned.

BEIJING HAS GRANTED MORE INTERNATIONAL SPACE

¶7. (C) Despite the lack of formal cross-Strait discussion of

more sensitive political issues, China has already taken "unilateral steps" to give Taiwan more international space, TAO officials asserted. Sun Yafu admitted that China is "hesitant" to grant Taiwan international space because of concern over the one China issue. Nevertheless, China has been "careful" on the issue and has "shown restraint" in order to avoid offending Taiwan. Sun pointed to China's "low-key" approach to Ma's August transit of the United States, "tacit acceptance" of Ma's request for a "diplomatic ceasefire" and approval of Lien Chan as Taiwan's APEC envoy as examples of this "restraint."

¶ 8. (C) China has also taken steps to ensure that the people of Taiwan have "timely access" to World Health Organization (WHO) information, TAO officials claimed. Li Li told PolOff that China, "on its own initiative," recently worked with the WHO Secretariat to formulate new "regulations" that will allow Taiwan to have direct access to the WHO Secretariat to receive health information. He noted the purpose of the new regulations is to ensure Taiwan receives "pertinent health information" at the same time as everyone else. Li said he expects the "new regulations" to be announced by the WHO "soon."

TALKS NEEDED ON POSSIBLE WHO PARTICIPATION

¶ 9. (C) Progress on Taiwan's actual participation in the activities of UN-affiliated international organizations like the WHO will be possible only through cross-Strait consultations, not unilateral PRC action, according to TAO officials. Sun Yafu noted that at the 2005 meeting between CCP General Secretary Hu Jintao and then-KMT Chief Lien Chan, the two sides agreed to work for a resolution of the WHO issue through consultations. The problem is, because of the sensitivity of discussing political issues, the two sides do not know "how to start." Ma Ying-jeou's "detailed plan" is still unclear regarding what nomenclature Taiwan wants to use and what status Ma wants for Taiwan in organizations like the WHO: member, observer or something else. Sun declared that "we will not unilaterally announce that Taiwan can join the WHO under such-and-such a name; it must follow negotiations." Through negotiations, Sun said, the two sides might be able to "find a way forward." Li Li added that the ARATS-SEF mechanism is the "only appropriate channel" for dealing with the problem, as only those two bodies can speak "officially"

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for each side.

¶ 10. (C) When asked separately about the international space issue, TAO's Li Li referred PolOff to TAO Director Wang Yi's statements in an October 31 meeting with U.S. experts. According to a partial readout provided by a U.S. scholar, in that meeting TAO Director Wang Yi reportedly stated that the WHO Charter's rules on "observership" are not strictly applicable to Taiwan. Therefore, it is difficult to find an "appropriate status" for Taiwan. In the WHO Charter, Wang explained, there are three categories of observership: countries that have applied to join the WHO but have not yet done so, countries that have signed the Charter but have not been approved, and territories that do not qualify for participation but whose applications have been put forth by others. None of the three categories apply to Taiwan, Wang said, as the first two refer only to states and thus are unacceptable to Beijing, and the last is unacceptable to Taipei. Wang reportedly admitted that "it is hard for us to find a way forward on this issue" and that the two sides "need time" to find a solution.

¶ 11. (C) Any progress that could be made on the WHO/WHA issue by next May in the absence of direct negotiations would be something short of formal observership, TAO officials assert. A possible step forward would be for Ma Ying-jeou to make a "modest proposal" under "appropriate nomenclature" directly to the WHO, which the PRC could then decide not to reject, Li

Li said. This would not be the "preferred" option, however, Li Li pointed out. Director Wang Yi reportedly acknowledged to the visiting American academics on October 31 that WHO Secretary General Margaret Chan could invite Taiwan to "participate" in the WHA meeting, but this would not give Taiwan "legal observer" status. Instead, such an approach would only allow Taiwan to participate as "a first step," but he did not know whether Taiwan could agree. If Taiwan were to use such an invitation to claim it had achieved formal observership, Wang reportedly stated, "that would be a problem."

RANDT